

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: #03-8
STATE AGENCY: Department of Insurance.

DATE PREPARED: Oct 7, 2003
DATE RECEIVED: Sep 29, 2003

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Digest of Proposed Rule: This proposal adds 760 IAC 1-69 to recognize, permit, and prescribe the use of the 2001 Commissioners Standard Ordinary Mortality Table for use in determining minimum reserve liabilities and non-forfeiture benefits. The proposal is effective January 1, 2004.

Governmental Entities: The rule will result in no significant fiscal impact to state or local government. There is no impact to tax liabilities, and there would be no additional filings.

Regulated Entities: Life insurance companies use mortality tables in determining minimum reserve liabilities and non-forfeiture benefits. Currently, insurers use the 1980 tables. This rule allows insurers to use the 2001 tables. The 2001 tables reflect the fact that people are generally living longer. Because they are living longer, insurance companies would have to put aside less money every year for minimum reserve liabilities and non-forfeiture benefits. The tables may be used for policies issued on or after January 1, 2004, but are not mandated for use until 2009. The total fiscal impact to the industry is an estimated savings of more than \$500,000 in the aggregate.

Insurers will have information technology (IT) expenses in implementing the new tables; however, they may be phased in over time as the rule is not mandatory until 2009. Additionally, there is an impact to the amount of money the insurers must book as a liability in setting reserves. The impact will vary by product and by age, but overall the reserves will be lower by an estimated 10%. The reserve reduction should offset IT expenses. The overall effect to the industry is a reduction in costs. Costs as well as savings will be phased in over the time period between 2004 and 2009. Indiana has 39 domestic life insurance companies that will be affected by this rule. If each company is affected by the rule, each company will save an estimated \$13,000.

There is no direct fiscal impact to consumers. There could be a slight lowering of premiums or more likely a slowing in the increase in premiums.

Information Sources: Amy Strati, Chief Counsel, Department of Insurance, 232-2385.